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October 31, 2000

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OCT 31 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
Washington, D.C. 20554

Re: Ex Parte Presentation -- Multi-Association Group Petition for Rulemaking in
*Improved Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange
Carriers and Interexchange Carriers*, RM _____

Dear Ms. Roman Salas:

Today, representatives of the Multi-Association Group (the "Group") met Mr. Kyle Dixon of Commissioner Powell's office to describe the above-captioned petition for rulemaking. Mr. David Cohen, Ms. Marie Guillory, Ms. Margot Humphrey, Mr. Stuart Polikoff, and the undersigned attended on behalf of the Group.

The enclosed summary materials were discussed at the meeting and summarize the content of the meeting. Two copies of the materials are enclosed for the use of the Secretary, and a copy of this notice and enclosure will be provided to each of the Commission attendees.

If you have any questions on this matter, do not hesitate to call me.

Very truly yours,

William F. Maher, Jr.

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Enclosures
cc: Kyle Dixon

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Interstate Regulatory Reform

Multi-Association Group Plan For Non-Price Cap LECs

NRTA
NTCA
OPASTCO
USTA

Multi-Association Group Plan

- Filed on October 20, 2000 at the FCC
- Plan addresses access charge reform, universal service, incentive regulation, and rural/urban comparability for non-price LECs.
- Two path approach
 - Path A: Transition to incentive regulation
 - Path B: Remain on rate of return, with ability to move to Path A during five-year transition period
- Plan consistent with CALLS; same policy direction as RTF

Path A

- Five-year transition from cost to incentive-based regulation for companies that elect Path A at the outset
- Incentive plan based on revenues per line
- Universal Service – New explicit support within the pool; removal of caps on high cost support for Path A and Path B

Pooling Plan – Access Rates

- Major rate components:
 - Carrier Access Rate (CAR)
 - Translation of today's switched access rates into composite average (existing rate elements remain)
 - Subscriber Line Charge (SLC)
 - Billed to end user

Access Rates – CAR

- CAR set at level reasonably comparable to price cap companies' level
 - Transition from 3.94-4.3 cents to 1.6 cents for Path A LECs

Access Rates – SLC

- SLC transitions consistent with CALLS
 - SLCs set at PC companies' caps (as long as reasonably comparable to their actual SLCs)
- SLC residence & single-line business rates
 - July 1, 2001 \$ 5.00
 - July 1, 2002 \$ 6.00
 - July 1, 2003 \$ 6.50
- Subject to FCC review
- Multi-Line bus. transitioned to \$9.20 per CALLS

Rate Averaging Support – RAS

- RAS is explicit universal service support, recovering the difference between the settlement paid by the pool and the revenue derived from SLC, LTS, LSS & prescribed CAR
- Billed as other universal service fund components are billed
- Portable as are other universal service fund components

Pooling Plan Settlements

- Settlements address companies with varying cost characteristics and needs
 - Incentive-based environment (mandatory after year five)
 - ROR/Averaging Schedule (AS) transition for the first five years
- Pool ROR remains at 11.25%
- Separations factors frozen per recommendation

Pooling Plan Incentive Regulation

- Move from settlement based on cost studies or average schedules to “revenue per line” (RPL) (inflation adjusted)
- Frozen RPL provides incentives for decreasing costs, increasing number of lines

Pooling Plan

Low End Adjustment

- Low End Adjustment (LEA) as safety net
 - for LECs with five or fewer study areas on incentive regulation whose return is less than 50 basis points below current authorized rate of return
 - for LECs with more than five study areas on incentive regulation whose return is less than 100 basis points below current authorized rate of return

Pooling Plan

Post Transition Period

- All study areas in Path A subject to incentive regulation
- Low End Adjustment remains available for Path A

Path B

- Remain on current ROR regulation, with following changes
 - Access reform
 - Decreases in per-minute access rates; SLC increases to CALLS caps
 - Universal Service reform
 - Existing caps removed, but no RAS available

Non-Pooling Plan

- Rates established using base year interstate RPL
- New services at market rates under streamlined rules
- Low End Adjustment available for Path A

Universal Service

- Enhance Lifeline per CALLS plan
- Same direction as Rural Task Force recommendation, but remove existing caps
- Cost study areas receive universal service under today's rules
- To be frozen on per-line basis under Path A incentive regulation
- Disaggregated into three zones & made portable
- RAS is explicit residual funding for Path A pooling LECS